

# Local Innovative Fast Track Program (LIFT)



## Program Manual

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## Introduction

The Local Innovation and Fast Track (LIFT) program was established in statute<sup>1</sup> with a requirement for both prioritizing low subsidy investments as well as service to historically underserved rural communities and communities of color, while partnering with the Department of Human Services (DHS) child welfare and self-sufficiency programs. Since 2017, the Oregon Legislature has committed \$680 million in general obligation Article XI-Q bonds to fund the LIFT program.

The LIFT program supports four of Oregon Housing and Community Services' (OHCS) Statewide Housing Plan (SWHP) Policy Priorities: Equity & Racial Justice, Affordable Rental Housing, Homeownership, and Rural Communities. The Statewide Housing Plan can be found here: <https://www.oregon.gov/ohcs/pages/oregon-state-wide-housing-plan.aspx>

LIFT funds will be made available through a streamlined competitive Notice of Funding Availability (NOFA). There will be separate applications developed for LIFT Rental activities and LIFT Homeownership activities.

## Program Goals

The primary goals of the LIFT program are to create and encourage new affordable family-sized housing units for both rental and homeownership opportunities in historically underserved communities, including communities of color and rural communities throughout Oregon. The LIFT program also encourages innovative, replicable, construction cost containment by prioritizing lower subsidy amount requests in each funding offering.

Secondary goals of the LIFT program are to place affordable housing units in operation as quickly as possible, while serving families earning at or below 60% Area Median Income (AMI) through rental housing and families earning at or below 80% AMI through homeownership housing. LIFT also encourages projects to focus on service connections including but not limited to those from:

1. Community Action Agencies
2. Coordinated Care Organizations
3. Culturally specific organizations<sup>2</sup>
4. Culturally responsive organizations<sup>2</sup>
5. Homeownership Centers

## Measurable Outcomes

Measurable outcomes of the LIFT program are determined by reviewing the increase in affordable housing inventory; measured by the number of new units built in rural communities as well as how many affordable housing units are available to serve communities of color.

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<sup>1</sup> ORS 458.485

<sup>2</sup> See Glossary at end of manual.

OHCS has also implemented construction cost evaluation, measured through comparison of the construction costs for projects funded with LIFT proceeds to traditional housing construction, such as RS Means, as another measurable outcome of the program.

### **Serving Communities of Color**

To meet the legislative intent of LIFT and to further OHCS' policy priorities around racial equity, all projects, in both rural and urban areas, are to serve communities of color. OHCS recognizes that these approaches may look very different in urban communities, which could have a larger array of culturally specific or responsive developers or service providers in close proximity, than in rural communities where such organizations may not be as present. Furthermore, we are aware that some communities are more diverse than others and the outreach strategies must be tailored appropriately. Any approach that is chosen must include intentional and meaningful engagement of communities of color in services planning for the development.

Service to communities of color can be achieved in a number of ways and should be relevant to the community in which the project is located, and the focus population anticipated to be served. It might include such things as:

- An ongoing service partnership with a culturally specific or culturally responsive organization
- A project explicitly designed and located to address displacement of communities of color
- Agreements with area service providers to engage in culturally appropriate services for residents
- Project building design influenced and informed by the community or communities the project is serving.

Additionally, each project will be required to submit a relevant marketing and outreach plan designed to publicize the availability of new housing opportunities created by the project to communities of color in the applicant's service area, to address any barriers that communities of color might encounter in applying for and accessing housing, and to help OHCS affirmatively further fair housing<sup>3</sup>.

### **Serving Rural Communities**

Predating the Statewide Housing Plan, rural communities were named in the statute creating LIFT as a historically underserved community. As such, fifty percent of LIFT funds will be set-aside specifically for projects located in rural communities. These projects are also required to serve communities of color, as mentioned above. Culturally responsive resources that foster connections with communities of color in rural areas are less likely to be stand-alone organizations. Instead, culturally responsive services and resources may be part of the array of services offered through organizations that serve the broader community and have connections to provide support to communities of color, for example places of

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<sup>3</sup> For further information see Title VIII of the Civil Rights Act of 1968, 42 U.S.C. 3608 and Executive Order 12892.

worship, community centers, stores that sell culturally specific products, or engaging community agencies with outreach partnerships.

### **Funding Set-asides**

There are four set-asides for the LIFT program: three location specific set-asides and a culturally specific and/or Tribal led set aside:

1. Location Specific

- a. Urban Communities – 25% of LIFT Funds

Defined as: All jurisdictions within the Portland Urban Growth Boundary, and jurisdictions with populations of 40,000 and above in the balance of the state.

- b. Mid-Sized Urban Communities – 25% of LIFT Funds

Defined as: Jurisdictions outside the Portland Urban Growth Boundary that are also located in counties within Metropolitan Statistical Areas with populations between 15,000 and 40,000

- c. Rural Communities – 50% of LIFT Funds

Defined as: Jurisdictions outside the Portland Urban Growth Boundary that are also located in counties within Metropolitan Statistical Areas with populations under 15,000, or jurisdictions with populations under 40,000 in the balance of state.

2. Culturally Specific/Federally Recognized Tribe Led Organization – 15% of LIFT Funds

This set-aside cuts across all Location Specific set asides. Culturally Specific Organizations or by Federally Recognized Tribes<sup>4</sup> to further OHCS' policy priorities about racial equity. These are projects in which the development, sponsorship or management of the property will be handled by a culturally specific organization or by a Tribal-led organization.

### **Alignment with Other OHCS Manuals**

All LIFT applications are required to adhere to OHCS' Minority, Women-owned, Emerging Small Business and Service-Disabled Veteran Business Enterprises (MWESB/SDVBE) Compliance Manual found here: <https://www.oregon.gov/ohcs/development/Pages/mwesb-sdvbe-rental-housing.aspx> and the General Policy and Guideline (GPGM) Manual found here: <https://www.oregon.gov/ohcs/development/Documents/admin/manual-general-policy-guidelines.pdf>.

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<sup>4</sup> Due to the requirements of State issued Article XI-Q bonds, LIFT is unable to be used on Tribal lands, but can be used off-Tribal lands for Tribal-led investments.

## Program Requirements

### Eligible Activities

LIFT funding can be used to increase the number of net new affordable housing units in Oregon. Eligible activities are new construction or conversion of existing non-residential structures to affordable housing.

In order to use Article XI-Q General Obligation bonds for housing development, the State of Oregon is required to hold an operational or ownership interest in the project<sup>5</sup>. The LIFT program is structured to hold an operational interest and uses an Operating Agreement approved by the Oregon Department of Justice (DOJ) as the instrument to do this.

### Affordability Period

The LIFT program has a minimum 20-year affordability period, which starts the end of the year that the Project is placed in service, or the length of bonds outstanding, whichever is greater.

For rental projects that are also funded with 4% LIHTC, the applicable 4% LIHTC affordability period of 30 years from the end of the year that the Project is first placed in service or the length of the bonds outstanding, whichever is greater, applies.

### Construction Standards

LIFT construction requirements are intended to encourage innovation and allow for all types of new construction. All projects must meet local and state code requirements. In the case that another funding source has its own requirements, the most restrictive requirements must be met.

Methods: Both traditional and alternative methods of new construction are allowable; construction that is innovative in containing costs or otherwise serving low-income populations is encouraged.

Quality: Construction that balances the initial cost of building with on-going costs of operation for the building owner (e.g., energy standards).

Durability: 30-year building standards.

Evidence that the Project's General Contractor is currently licensed with the State of Oregon Contractor's Certification Board (CCB) in good standing will be required.

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<sup>5</sup> Constitution of Oregon, Article XI-Q: Real or Personal Property Owned or Operated by the State

## **Development Timeline**

Units must be ready for initial lease-up or sale within 36 months of the date of the Reservation Letter. At application, the project's construction schedule must support the 36-month lease-up or sale requirement.

OHCS requires that projects be planned and fully financed (with the exception of OHCS funding) at the time of application and ready to proceed upon meeting all requirements in the project Reservation Letter.

## **LIFT Loan Terms**

In order for LIFT funds to be loaned to qualifying Applicants, site control in the form of either an undivided fee simple interest in the project site, or a long-term lease for at least the length of the affordability period, executed at or before loan closing, must be verified.

The LIFT loan must be secured by a first-lien deed of trust acceptable to OHCS and recorded against the fee interest in the Property. OHCS may share a first lien security interest with other lenders, subject to the execution of OHCS' Intercreditor agreement and other documents necessary to establish the relative priority and rights of the parties.

LIFT funds are loaned at 0% interest with deferred payments throughout the affordability period. Loans are due and payable upon completion of the affordability period. LIFT loans may be prepaid without penalty, though the affordability restrictions will remain upon repayment for the full affordability period. In lieu of payment, LIFT loans can be satisfied by extension of the affordability period for an amount of time at least equal to the original affordability period (20 or 30 years) or by a combination of repayment and extended affordability as acceptable to OHCS<sup>6</sup>.

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<sup>6</sup> See OAR 813-135-0040.

## Homeownership Development

To use LIFT funds for a homeownership development project, the project must use an ownership structure that enables OHCS to secure its loan against the land and not against the improvements on the land. This allows for guaranteed affordability of the homes at 80% AMI throughout the affordability period.

Acceptable ownership structures are:

- community land trust (preferred)
- leasehold condo
- new manufactured home park

## Guidelines

The following guidelines will be applied by OHCS in its due diligence and project review process to ensure ongoing project viability and risk mitigation associated with the LIFT funding source.

### Applicant Requirements

LIFT applicants must demonstrate that they have experience and/or understanding in being the administrator of a community land trust or applicable association or have partnered with an organization that has this type of experience and/or understanding.

### Demonstration of Market

Applicants must demonstrate a market for the homeownership units exists in the area that their project will be built, including:

- ✓ That there are potential lenders available, documenting what corresponding down payment / terms are or will be available for initial and future home buyers, and
- ✓ Evidence of interested income-eligible households.

### Financing Requirements

Due to the LIFT requirement that all units be ready for sale 36-months from reservation, all financing sources must be identified and committed/available for project development at application. If a construction lender will be used to finance the project, a letter of interest is required for the overall project.

The NOFA scoring process will include a complete review of the development budget and all supporting documentation. Among other possible items further outlined in the NOFA, the budget will be reviewed to confirm:



- All resources listed in the proforma are realistic and available, including ensuring that the LIFT request is within guidelines specified in the NOFA and that maximum LIFT subsidy for the project is not exceeded
- All resources listed except for LIFT funds are committed at the time of application
- Sources and Uses listed on the application proforma are balanced, there is no gap in funding and no excess funds
- The construction costs are well-documented and explained through:
  - Construction documents that provide enough detail to adequately calculate project hard costs
  - Construction estimates that substantially agree with the budget

### Profit / Developer Fee

Sponsor/Developer profit from the initial sale of homes in the project plus any developer fee is limited to 7% of the total project costs and may not increase above the amount stated in the application.

### Subsidy Amount

The maximum amount of subsidy that a LIFT Homeownership project can request will be calculated using the lesser of the following:

1. The value of the land plus the value of infrastructure/site-work, this does not include the value of the homes that will be built. The value must be verified through one of the following methods:
  - a. An as-built appraisal from a qualified appraiser
  - b. Assessed value on property tax statement
  - c. Real market value on a property tax statement
2. The maximum per unit subsidy identified in the applicable NOFA. The subsidy must not exceed the maximum per unit subsidy cap in the applicable NOFA

### Documentation Requirements for Construction Close

- ✓ Organization documents for the ownership entity
- ✓ Board resolution documentation (if applicable)
- ✓ Site Review Checklist with relevant exhibits (submitted as part of the NOFA application)
- ✓ Preliminary title reports
- ✓ DUNS number to be active during the course development
- ✓ Certificate(s) of insurance

- ✓ Phase I Environmental Study\*
- ✓ BOLI Wage determination letter\*\*
- ✓ Recorded community land trust or equivalent document for a lease hold condominium
- ✓ Letters of interest or support from mortgage lenders if a project sponsor is not self-funding homeowner mortgages

\*All LIFT projects are required to provide a Phase I Environmental Study. For homeownership projects that are 4 units or fewer, applicants can choose to opt out of a Phase I study and instead certify that the sponsor will not request additional funds from OHCS to mitigate issues found before, during, and/or after construction and during operation that would have been discovered by a Phase I. The waiver can be found here: <https://www.oregon.gov/ohcs/homeownership/Pages/homeownership-development.aspx>

\*\*To determine if a LIFT homeownership project is subject to prevailing wage requirements through the Bureau of Labor and Industry (BOLI), a determination letter is required. For more information, please contact BOLI here: <https://www.oregon.gov/boli/employers/Pages/coverage-determinations.aspx>.

### Working with the Oregon Bond Residential Loan Program

Homebuyers purchasing homes built using LIFT Homeownership funds that are financeable through FNMA or Freddie Mac may be eligible to apply for mortgages through the Oregon Bond Residential Program (ORBRP).

The process to certify a LIFT Homeownership project for the ORBRP requires the Applicant to contact OHCS's Homeownership Division for specific guidance. Please reach out to the Assistant Director of Homeownership Programs for more information at the following email address: [hcs.reservations@hcs.oregon.gov](mailto:hcs.reservations@hcs.oregon.gov).

### Construction Period

Upon recording of the LIFT regulatory documents, home construction may begin. Monthly progress reports updating the Department of the status of construction, including the percentage of construction completed the previous month, are expected by the 10<sup>th</sup> of each month through project close out.

**NOTE:** Any changes to the property's legal description after construction closing will need to be updated in the LIFT regulatory documents. Changes in the property's legal description can cause delays on the sale of the newly built homes if not addressed promptly.

## **Project Completion, Home Sale, and Close Out**

Upon receipt of each Certificate of Occupancy, homes are ready to be sold. Once the last home in the project is sold, the following items are provided to OHCS's LIFT Homeownership Development Officer within 90 days of the last homebuyer taking possession of their new home:

- ✓ Copy of the recorded master land lease that the community land trust was established under (if updated since original submission).
- ✓ Certificate of Occupancies or Final Building Inspections for all homes.
- ✓ Photos of the exterior of each home.
- ✓ Final updated and balanced sources & uses.
- ✓ Written statement of how plans for outreach to communities of color were used and results.
- ✓ Copies of income certifications for each initial Qualified Homebuyer (see Household Income Verification.) Income certifications must include the date of sale of the home and homebuyer demographics.
- ✓ Final subdivision plat map
- ✓ Updated Applicant and Project Information sheet
- ✓ Commercial General Liability Insurance from the CLT, and evidence of homeowner's fire insurance with OHCS listed as an additional insured
- ✓ MWESB Final Report

Once the close out items listed above have been received, the construction phase of the project is considered complete.

## ***Household Income Verification***

LIFT Homeownership has specific requirements for homebuyer income calculation. This information can be found on the LIFT Homeownership Program Page:

<https://www.oregon.gov/ohcs/homeownership/Pages/homeownership-development.aspx>

## **Annual Compliance Requirements**

Compliance monitoring begins upon sale of the first home. The OHCS Homeownership Division is responsible for compliance monitoring for LIFT Homeownership projects. If there are any questions about the status of a project's compliance, please contact the LIFT Homeownership Development Officer.

Annually in December, a Certificate of Continuing Program Compliance (CCPC) will be provided by OHCS to the project owner named on the LIFT Operating Agreement for each project in the OHCS portfolio. The owner fills out the CCPC and returns it to OHCS with information on each project.

An annual compliance fee will be invoiced and billed by the end of the year, with payments due by January 31<sup>st</sup> of the next year.

### *Home Sales and Subsequent Purchases*

When a LIFT homeowner sells their home and a new homebuyer purchases it, it is the responsibility of the CLT operator named on the LIFT Operating Agreement to notify OHCS. This must happen within 30 days of a LIFT home being sold to a new Qualified Owner. Three items must be provided to OHCS via the project's Procorem work center upon resale of a home:

1. Copy of the new Qualified Owner's Initial Income Verification Certification showing that the new owner is earning at or below 80% AMI, to the appropriate Project Procorem WorkCenter
2. An updated listing photo of the exterior of the home
3. Updated liability insurance coverage for new homeowner.

OHCS will acknowledge the sale of the unit to a new owner via written communication to the CLT operator.

## Rental Development

All units funded through the LIFT Rental program must be affordable to households earning at or below 60% HUD Area Median Income (AMI) at the time of initial lease, with an exception for the one manager's unit.

### Underwriting Guidelines

Underwriting guidelines will be applied by OHCS in its due diligence and project review process to ensure ongoing project viability and risk mitigation associated with the LIFT Program. Such guidelines will be consistent with the industry standard minimum requirements of mortgage lenders, investors, and other potential public sources.<sup>7</sup>

### Developer Fee Calculation:

Calculation of the developer fee is specified in the equation below and limits are shown in table A below.

$$\begin{array}{rcl} & \text{Developer Fee + Consultant Fee} & \\ \hline \text{Maximum} & \text{Total Project Cost – (Acquisition + Developer Fee +} & \\ \text{Developer} & \text{Consultant Fee + Capitalized Reserves)} & \\ \text{Fee =} & & \end{array}$$

**Table A**

Project Size	LIFT Only	LIFT with 4% LIHTC
< 31 Units	16%	18%
31-75 Units	14%	16%
76-100 Units	12%	14%
100+ Units	10%	12%

### Alignment with other OHCS manuals

LIFT Rental can be paired with 4% Low Income Housing Tax Credits (LIHTC)/Private Activity Bonds (PAB). If paired, the project will need to incorporate the requirements of the LIHTC Qualified Action Plan (QAP) which can be found here: <https://www.oregon.gov/ohcs/development/Pages/low-income-housing-tax-credits.aspx> and the Core Development Manual which can be found here: <https://www.oregon.gov/ohcs/development/Pages/core-development-manual.aspx>

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<sup>7</sup> As described in OHCS' GPGM Manual.

### Documentation Requirements for Construction Close

- ✓ Organization documents for the ownership entity
- ✓ Board resolution documentation (if applicable)
- ✓ Site Review Checklist with relevant exhibits (which is part of the NOFA application)
- ✓ Preliminary title reports
- ✓ DUNS number to be active during the course of development
- ✓ Certificate(s) of insurance
- ✓ Phase I Environmental Study (with a Phase 2 if applicable)
- ✓ BOLI wage determination letter
- ✓ FIRREA compliant appraisal
- ✓ Geotechnical Evaluation
- ✓ Approved management agent packet submitted at least 60 days prior to closing

### Project Completion, Lease-up, and Close Out

If the project does not utilize 4% LIHTC/Conduit Bonds, then upon receipt of the project's Certificates of Occupancy and successful lease up, the following items need to be provided to the Production Analyst working with the project:

- ✓ Updated Final application with updated and balanced sources & uses
- ✓ Certificates of Occupancy or Final Building Inspections for all buildings
- ✓ Digital Photos of the exterior of the project
- ✓ Any amendments to the property management agreement approved before construction close.
- ✓ Certificate(s) of insurance naming OHCS as a loss payee
- ✓ Site Map showing building addresses and unit numbers
- ✓ MWESB Final Application Matrix

If the project has 4% LIHTC/Conduit Bonds, follow the process for receiving 8609's in the QAP.

### Ongoing Compliance and Asset Management

LIFT Rental has adopted the LIHTC Compliance Manual, found here:

<https://www.oregon.gov/ohcs/compliance-monitoring/Pages/compliance-lihtc-program.aspx> as the standard for the ongoing monitoring of operating projects. Information will be transferred to the OHCS Portfolio Administration Section for on-going compliance until the end of the project's affordability period. An annual Certificate of Continuing Compliance will be required as well as periodic onsite inspections and monitoring, according to Portfolio Administration's guidelines and the LIHTC Compliance Manual.

## Glossary

### Culturally Specific Organization

A nonprofit organization designed to serve historically underserved communities least likely to apply for housing occupancy and that is

- representative of a community or significant segments of a community;
- provides affordable housing to very low- and low-income households; and
- can demonstrate primary target populations served to be 'least likely to apply', meaning there is an identifiable presence of a specific demographic group in the housing market area, but members of that group are not likely to apply for the housing without targeted outreach, including marketing materials in other languages for limited English proficient individuals, and alternative formats for persons with disabilities. Reasons for not applying may include, but are not limited to, insufficient information about housing opportunities, language barriers, or transportation impediments.

### Culturally Responsive Organization\*

An entity that comprehensively addresses power relationships throughout the organization, from the types of services it provides and how it maximizes language accessibility to its human resources practices-who it hires, how they are skilled, prepared and held accountable, to its cultural norms, its governance structures and policies, and its track record in addressing conflicts and dynamics of inclusion and exclusion, to its relationships with racial groups in the region, including its responsiveness to expectations. A Culturally Responsive Organization is one that is dynamic, on a committed path to improvement and one that is hardwired to be responsive to the interests of Communities of Color, service users of color and staff of color. Culturally responsive organizations hire and train

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\* Adapted from Curry-Stevens, Ann, Marie-Elena Reyes & Coalition of Communities of Color (2014). Protocol for Culturally Responsive Organizations

culturally and linguistically diverse staff to meet the needs of the diverse communities they serve.